



Department of Defense DIRECTIVE

NUMBER 5010.38

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Certified Current as of November 21, 2003

USD(C)

SUBJECT: Management Control (MC) Program

- References: (a) DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987 (hereby canceled)
- (b) Section 3512 of title 31, United States Code (also referred to as Public Law 97-255 and the Federal Managers' Financial Integrity Act (FMFIA) of 1982)
 - (c) Office of Management and Budget Circular No. A-123, Revised, "Management Accountability and Control," June 21, 1995
 - (d) Office of Management and Budget Memorandum, "Year-End Internal Control Report," current edition
 - (e) through (n), see enclosure 1

1. REISSUANCE AND PURPOSE

This Directive reissues reference (a) to:

- 1.1. Establish the DoD program for MC and address the establishment and assessment of MCs.
- 1.2. Incorporate guidance under references (b), (c), (d), and General Accounting Office "Standards for Internal Control in the Federal Government" (reference (e)).
- 1.3. Establish policy and assign responsibilities.

4.2.1. Be consistent with, and draw heavily upon, guidance provided by OMB Circular No. A-123 (reference (c)), except for those parts of paragraph V, "Reporting on Management Controls," that pertain to reporting and distribution to parties and offices that are external to the Department of Defense. Reporting is addressed in paragraph 4.3., below.

4.2.2. Address all significant operations and mission responsibilities and not limit evaluations to operations applicable to the financial management community.

4.2.3. Be designed, documented, and operated to provide reasonable assurance that specific objectives enumerated in 31 U.S.C. 3512 (reference (b)) and reference (c) are met. Managers will continuously monitor and improve the effectiveness of vital MCs. Continuous monitoring, and other periodic evaluations, should provide the basis for the annual statement about reasonable assurance. Further elaboration regarding MC Program and methods design are provided in DoD Instruction 5010.40(reference (f)).

4.2.4. Wherever possible and to the greatest extent possible, rely on organizationally required and other contributing information sources (such as management and oversight reviews, computer security reviews, financial system reviews, audits, inspections, investigations, internal review studies, quality management initiatives, and management and/or consulting reviews). MC Program evaluation should not cause the duplication of existing information that pertains to assessing the effectiveness of MCs or information that may be used for that purpose. Evaluation of the MCs of an assessable unit should NOT be limited to existing information if that information does NOT allow for coverage of the full scope of vital MCs applicable to that unit. Whenever existing data does not provide for adequate review of MCs, then appropriate reviews should be planned and provided that will enable management to make reasonable judgments about the effectiveness of the MCs under OMB Circular No. A-123, (reference (c)). When considering the scope and necessity for reviewing or testing of MCs, managers should determine whether controls should be classified as "vital" or "nonvital." In the final analysis, management's opinion about the status of a DoD Component's MCs is based primarily on the status of its vital MCs.

4.2.5. Involve management at all levels and provide for the assignment of overall responsibility for program design, direction, and implementation to a designated senior management official who is, or is directly accountable to, the DoD Component Head.

5.1.3. Issue guidance to further define responsibilities and policies for this program.

5.1.4. Prepare for the Secretary of Defense, by December 31 of each year, the statement of assurance for submission to the President and the Congress, as required by 31 U.S.C. 3512 (reference (b)) and OMB Memorandum (reference (d)), as interpreted by guidance provided by the Office of the USD(C).

5.1.5. Ensure that the DoD Senior Financial Management Oversight Council, established by Deputy Secretary of Defense Memorandum (reference (l)), monitors the DoD MC Program, as appropriate.

5.2. The Director of Administration and Management, Office of the Secretary of Defense, shall serve as the senior management official for the OSD Component (OSD and DoD Field Activities), with responsibility to carry out the functions described in subparagraphs 5.5.2. through 5.5.6., below.

5.3. The Under Secretaries and Assistant Secretaries of Defense as Heads of Office of the Secretary of Defense Functional Elements, under the Secretary of Defense Memorandum, "Revised Federal Managers' Financial Integrity Act Implementation" (reference (m)), shall:

5.3.1. Implement a MC Program within their respective staff organizations.

5.3.2. Identify systemic MC weaknesses for inclusion in the DoD Annual Statement of Assurance, including those which cut across areas of functional responsibility or the responsibility of a specific DoD Component.

5.3.3. Identify MC weaknesses in their functional areas that should be reported by one or more DoD Components.

5.3.4. Review the reported actions of the DoD Components on the specifications and accomplishment of milestones to correct reported material weaknesses in each functional area.

5.4. The Inspector General of the Department of Defense shall:

5.4.1. Periodically perform and report on evaluations of those DoD Components for which the IG, DoD, has audit cognizance.

5.5.6. Provide to the Secretary of Defense, by November 15 of each year, the statement of assurance called for in 31 U.S.C. 3512 (reference (b)).

5.6. The Secretaries of the Military Departments who provide executive agency support to Unified Combatant Command headquarters also shall provide to those headquarters applicable guidance, training, and assistance to allow the Unified Combatant Commands to fulfill the requirements of this Directive. At the discretion of the Secretaries of Military Departments, or designees, and consistent with the flexibility of MC Program implementation, Unified Combatant Commands may be permitted to design and implement an MC Program that is unique to their organization.

6. INFORMATION REQUIREMENTS

The annual DoD internal reporting requirement identified at subparagraph 5.5.6. has been assigned Report Control Symbol DD-COMP(AR)1618 in accordance with DoD 8910.1-M (reference (n)).

7. EFFECTIVE DATE

This Directive is effective immediately.



John P. White
Deputy Secretary of Defense

Enclosures - 1

E1. References, continued